

Snyder

# REPORT

OF THE

## COMMITTEE ON BANKS,

### RELATIVE

To restraining the circulation of notes under the denomination of five dollars, as are not authorized by laws of this State.

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READ in the House of Representatives Feb. 25th 1828.  
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Mr. Snyder, from the committee on banks, to whom was referred the resolution "to enquire into the expediency of bringing in a bill, to restrain the circulation of all such bank notes or those in the nature of bank notes under the denomination of five dollars as are not au-thorized by the laws of this state," report:

That they have given the subject that attention which its great importance to the public demands, and herewith submit some of the reasons that have actuated them in recommending the adoption of the measures, contemplated by the resolution to its fullest extent. There is no subject that more immediately concerns the public at large, or in which they are more deeply interested, than that of maintaining a sound currency and whatever has a tendency to impair or depreciate the circulating medium, or to substitute a fictitious representation of the metalic currency, is destructive to the interest and welfare of the community, and ought promptly to be met by the legislative authority of the country and an immediate remedy applied to the evil, lest by delay it may gain such an ascendancy as to baffle the exertions of the government and be productive of incalculable injury before an adequate remedy can be applied. All experience in this as well as in other countries has demonstrated the fatal consequences of a depreciated currency. Your committee would not recapitulate the distress and ruin that has been brought upon our own citizens by it in times previous; they are but too well known, and a recollection of them should induce the representatives of the people to keep a watchful eye upon this subject, and promptly check whatever may have a tendency to produce a recurrence of those evils. The immense quantity and indefinite circulation of notes throughout the commonwealth of a less denomination than five dollars, issued by foreign monied institutions and by corporations and private individuals of this state, is universally complained of, and threatens to debase the whole paper currency, and may ultimately produce the most disastrous consequences; the excessive issue of this description of paper and its extensive circulation, has the effect of driving the specie out of

the country, and in many parts of the state, has nearly superseded the specie currency, and instead of the people having the benefit of it for their ordinary purposes, this debased substitute has been forced upon them by a systematic plan of those foreign institutions, through their agents and other interested individuals, and in proportion to the extent of their issues has the specie been withdrawn. This has been followed up by the circulation of a considerable quantity of the same species of paper by private individuals of this state, equally disreputable to the government and injurious to the public, the amount of which is rapidly increasing. The issues being uncontrolled by any consideration but that of their own profits, it is impossible to estimate the extent of the mischief that may ensue an unchecked circulation, to ensure which it is only necessary to grant loans for a specified time without interest, a plan well understood by the issuers and eagerly embraced by those whose interest it is to speculate upon the credit thus obtained to make their cash payments. Instead of the poor man being paid for his labor in money he is compelled to receive small notes, which are undoubtedly of less value in his view than the same amount would be in silver. Whatever may be the cause the fact is undeniable, that the people generally, and the working classes in particular, attach more value to specie than they do to bank paper representing the same amount, and this feeling is much stronger in relation to small notes, which are of a foreign character and to which the idea of security and value is lessened, particularly when it is considered that their circulation is always of a forced kind, and scarcely ever received willingly; people are anxious to get rid of them, and are often induced to make purchases of articles at high prices, which they may not want for the purpose of putting them off, and thus the hard earnings of the poor are taxed by the circulation of this debased currency. Experience has demonstrated that in proportion to the increase of the circulating medium of the country, or if increased by the issue of such paper, the prices of the necessaries of life are raised—not in consequence of a scarcity or of an increased demand, but because payment is to be received in a depreciated currency, and the burden falls upon those who are the least able to bear it. The facility with which frauds are committed and counterfeiters enabled to carry on their practices, is greatly augmented by the issue and circulation of small notes; they are of such various denominations that the most intelligent and skillful are often deceived and imposed upon: they are circulated through the country where people generally are unacquainted with the genuine, and are unable to distinguish the counterfeit from others. This is another item to be added to the catalogue of evils arising out of the system, and certainly not the least, as the sufferers generally are the poor and unsuspecting. It may be said that the same reasoning would apply to notes of a larger denomination, and no doubt it does to a certain extent; but it should be recollect that they are more liable to scrutiny because of their value. Those of a spurious charac-

re are sooner discovered and the public put on their guard. Not so with the small notes, for they often circulate for a length of time without detection.

It may be inquired how this species of paper obtained so large a circulation. Your committee believe that the cause is in part to be attributed to the banks admitting them to be deposited, thereby fixing the same value on them as those of lawful issues. Their motives for so doing were no doubt of the best kind, the alleged reasons for receiving them were that it withdrew the notes from circulation and sent them back to the bank from whence they had issued; but this it appears did not produce the effect contemplated, for notwithstanding such deposits the amount in circulation was not at any time in the least diminished. The credit thus given it is reasonable to suppose, served to increase the confidence of the public in them. This appears evident from one fact known to all conversant with the operations of the banking system: the depreciated and sinking credit of the paper of any bank in a neighboring state finds an easy and speedy reverse by information, that their notes will be received on deposit in any bank of known good credit in this commonwealth especially at Philadelphia, whereby a free circulation and good credit is obtained as are given to those circulated by authority of our own laws, and these perhaps are some of the reasons why the act of the last session of the Legislature has been (as represented by petitions from various parts of the commonwealth) so ineffectual. Notes of five dollars and upwards being well received, the confidence of the public is not much impaired in those of a less denomination, and though they cannot now be deposited, there are but few who will refuse to receive them — thus the object of the banks in the first place, and that of the last Legislature, have utterly failed in producing the desired effect. The continual issues and reissues of such paper by foreign institutions, and circulated among us by means, before adverted to, have so far had the effect to counteract all the efforts made to prevent their circulation.

Your committee submit that it is due to the people as well as the banks of this commonwealth, to eradicate this evil by carrying into effect, and establishing the policy, which for nearly twenty years has governed the Legislature of this state. The importance of sustaining a specie currency, for the ordinary purposes of the community, was recognized and acted on as early as the year eighteen hundred and nine, by an act passed the third of March in that year, authorising the Philadelphia bank to establish branches. It was provided that no note should be issued at any of the said branches of less value than five dollars. The same prohibition was included in the charter of the Farmers and Mechanics' bank passed at the same session. The general bank bill of eighteen hundred and fourteen, and twenty-four, also contained the same interdiction. Thus we find from eighteen hundred and nine to the present period, the Legislature uniformly and steadily pursued the same course of policy, and enacted what was supposed

adequate for the purpose, with the exception of a short period during the war with Great Britain, when owing to the scarcity of specie, an act was passed authorizing the banks to issue notes of a lower denomination than five dollars, which act continued in force until the first of October, eighteen hundred and seventeen. Your committee would refer to an act passed the 22nd of March, eighteen hundred and seventeen, entitled an act to prevent the making, issuing or reissuing, and circulating certain description of notes and tickets in the nature of bank notes and for other purposes. The circumstances that gave rise to the passage of that act to prevent the circulation of notes or tickets of a less denomination than one dollar, were somewhat similar to the present, in regard to those of a less amount than five, and the same necessity for legislative interference does appear to exist at present. If a removal of the nuisance and the establishment of a metallic and safe currency are at all desirable, for this issue of paper money has not, like the prudent regulations of man, any counteracting principle within itself.

The report of the Auditor General, made at the present session giving the statement of sundry banks of this state, shows there is a much larger amount of specie in their coffers, than at any former period since their establishment, and it is believed a sufficiency to answer all the purposes required. It is only necessary to prohibit the circulation of small notes, and this metallic substitute will soon appear. In case of a sudden pressure upon the banks, it will be a sure guarantee and protection to them, and a call for specie would scarcely ever affect any of those that conduct their business properly, when supported by its circulation for all payments under five dollars. They are upon every principle of justice entitled to this protection, some of them have paid large sums into the treasury for their charters, from others considerable revenue is derived, and in proportion to the circulation of their paper, is the profits increased and the state benefited. For an able exposition of this subject, your committee respectfully refer to the memorial from the banks of the city and county of Philadelphia.

Your committee abstain from entering more at large on this important topic, from a consideration that the propriety of legislative enactments to encourage and protect a specie circulation has always been admitted to be true state policy. The only inquiry left is, can the proposed measure be effected without prejudice to some citizens of this community, surrounded as we are by six states of the Union, four of which by their laws favor the issuing of small notes? It may appear, that some will be effected by the operations of the contemplated prohibition, but it is fondly hoped, no serious opposition will be made to a measure, so much calculated to advance the interest and welfare of all, especially as a postponement will most probably aggravate the difficulties to be encountered at a future period. Several petitions have been referred to your committee, praying for a repeal of the law passed at the last session, prohibiting the banks from receiving on deposit any notes of

a less denomination than five dollars, representing the said act as having the effect to increase the circulation of them. Admitting it to be an inconvenience, and a threatening evil, these petitioners are probably some of those who owing to their location on the borders of the state, may believe they will feel a slight disadvantage from an entire prohibition, but in the opinion of your committee, it is an imaginary anticipated one, that never will be realized while the notes of the adjoining states, of the value of five dollars and upwards maintaining a good credit, are well received and freely circulated among us, and especially when we take into consideration the extent and value of the exportable produce of the state, there can be no doubt of its ability to command and maintain such a portion of specie as may be necessary for the purposes of internal currency.

From these considerations, your committee have been induced to accompany this report with a bill embracing such provisions as will effect the object contemplated by the resolution, and asked for by the petition from the banks of the city and county of Philadelphia; also, for the purpose of affording a greater facility for the collection of small notes now in circulation, to suspend until it shall take effect, the operations of so much of the fifth section of the act passed the eleventh of April, eighteen hundred and twenty-seven, entitled an act to establish a bank in the county of Lebanon, and for other purposes, as prohibited any bank incorporated by this commonwealth from receiving after the first of September last, any notes of banks not authorised by the laws of this state, of a lower denomination than five dollars. All of which is respectfully submitted.

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## AN ACT to restrain the circulation of small notes.

Section 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same, That* from and after the                    day of                    next, it shall not be lawful for any person or persons, or body corporate, with the intention to create or put into circulation, or continue in circulation, a paper circulating medium, to issue, circulate, or directly or indirectly cause to be issued or circulated, any note, bill, check, ticket or paper, purporting, or evidencing, or intending to purport, or evidence, that any sum less than five dollars, will be paid to the order of any person, or to any person receiving or holding such note, bill, check, ticket, or paper, or to the bearer of the same, or that it will be received in payment of any debt or demand, and that from and after the said day of                    next, it shall not be lawful for any person or persons, or body corporate, to make, issue or pay away, pass, exchange or transfer, or offer to

issue, pay away, pass, exchange or transfer, or cause to be made, issued, paid away, passed, exchanged or transferred, any bank note, bill, ticket or paper, purporting to be a bank note, or of the nature, character or appearance of a bank note, or calculated for circulation as a bank note, of any less denomination than five dollars.

Sect. 2. And be it further enacted by the authority aforesaid, That any and every person and persons, and body corporate, offending against any of the provisions of the first section of this act, shall forfeit and pay for any such offence the sum of five dollars to be recovered by any person suing for the same, as debts of like amount are by law recoverable, one half for his own use, and the other half for the use of the overseers, guardians or directors of the poor, of the city, county, district or township, within which such offence shall have been committed.

Sect. 3. And be it further enacted by the authority aforesaid, That no such note, bill, check, ticket or paper, mentioned in the first section of this act, shall be held, or taken to be void, or of null effect, by reason thereof, and all suits and actions may be brought and sustained, on any such note, bill, check, ticket, or paper, any thing herein contained to the contrary notwithstanding, and in such suits or actions, if the same shall be determined in favour of the plaintiff, judgment shall be rendered for the principal sum due on such note, bill, check, ticket or paper, together with interest thereon at the rate hereinafter provided for, and full costs.

Sect. 4. And be it further enacted by the authority aforesaid, That the drawer and acceptor of any such note, bill, check, ticket or paper, and every person or body corporate, shall indorse, or in any way put his or their name upon the same, shall be liable to pay to any holder thereof, together with the principal sum expressed therein, interest thereon, to be calculated at, and after the rate of twenty per cent. per annum from the time when such note, bill, check, ticket, or paper, was first issued, and that without any demand upon the drawer or acceptor, or any evidence or party to the same.

Sect. 5. And be it further enacted by the authority aforesaid, That any person or persons, or body corporate, who shall have paid away, passed, exchanged or transferred any such note, bill, check, ticket or paper, shall be liable to any holder thereof, and shall pay to him or her, together with the principal sum expressed therein, interest thereon to be calculated at, and after the rate of twenty per cent. per annum from the time when such note, bill, check, ticket or paper, was first issued, and that without any demand on the drawer or acceptor, or any evidence or party to the same.

Sect. 6. And be it further enacted by the authority aforesaid, That in the trial or hearing of any suits or action which may be brought upon any such note, bill, check, ticket or paper, if the time when the same was first issued shall not be clearly proved, then the same shall be deemed and taken to have been first issued one year before the bringing of such suit or action, and interest

shall be calculated thereon at the rate of twenty per cent. accordingly.

Sect. 7. And be it further enacted by the authority aforesaid, That if any person holding any office under the constitution or laws of this commonwealth, shall make, issue, pay, pass, exchange or transfer, or cause to be made, issued, paid away, passed, exchanged or transferred any such note, bill, check, ticket or paper, as is hereinbefore described, the party so offending shall be deemed guilty of a misdemeanor in office.

Sect. 8. And be it further enacted by the authority aforesaid, That so much of the fifth section of the act passed the eleventh of April, eighteen hundred and twenty-seven, entitled an act to establish a bank in the county of Lebanon and for other purposes, as prohibited any bank incorporated by this commonwealth, from receiving after the first of September last, any notes of banks not authorised by the laws of this state, of a lower denomination than five dollars, be and the same is hereby suspended until the day of next; and it shall be the duty of the Secretary of the Commonwealth to cause this act to be published immediately after its passage in at least five newspapers in this state.

